

The Cherokee County Board of Education recognizes that maintenance of fund balance is essential to preservation of the financial integrity of the School District and is fiscally advantageous for both the School District and local taxpayers by establishing goals and providing guidance concerning the desired level of fund balance to be maintained by the School District. This mitigates financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances. The School District also seeks to maintain the highest possible credit ratings which are dependent, in part, on the School District's maintenance of an adequate fund balance.

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) **Committed fund balance** – amounts that can be used only for specific purposes determined by a formal action of the School Board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the School District's commitment in connection with future construction projects).
- 4) **Assigned fund balance** – amounts intended to be used by the School District for specific purposes. Intent can be expressed by the School Board or its designee. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

The responsibility for designating funds to specific classifications will be as follows:

Committed Fund Balance – The School Board is the School District's highest level of decision-making authority, and the action is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Assigned Fund Balance – The School Board authorizes the Superintendent and Chief Financial Officer as officials authorized to assign fund balance to a specific purpose, as approved by this fund balance policy.

It is the initial goal of the School District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of not less than 12-15% of prior year general fund budgeted expenditures and not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed reserve balance for capital expenditures and assigned fund balances “to cover unanticipated deficiencies in revenue or unanticipated expenditures,” in compliance with O.C.G.A. 20-2-167(a)5. If the total of the unassigned, assigned, and committed fund balances (net of the previous allowances) at fiscal year-end falls below this goal, the School District will take action to restore the unassigned fund balance to the minimum level within two fiscal years following the fiscal year in which the event occurred. The School District will develop a plan to replenish the affected fund balance(s) and include the plan in a five-year forecast presented to the School Board during the annual budget development process. Unbudgeted Activity funds will be excluded from the calculation.

- This amount provides adequate funding to cover approximately three months of operating expenses.
- This amount is intended to provide the liquidity necessary to accommodate the District’s uneven cash flow, which is inherent in its periodic tax collection schedule.
- This amount is intended to provide the liquidity necessary to respond to contingent liabilities.
- This amount may provide additional resources for other funds.

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the School Board and unassigned fund balance), the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

APPROVED: September 1, 2011

REVISED: July 20, 2017

Cherokee County Board of Education